

## Message Text

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67

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

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R 151445Z APR 75

FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 3353  
INFO AMEMBASSY BEIRUT  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY PARIS  
AMEMBASSY TEHRAN

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PARIS FOR UNDERSECRETARY ROBINSON

TEHRAN FOR POATS

E.O. 11652: NA

TAGS: USEGJC EINV EGEN

SUBJECT: SADAT AND THE OPEN DOOR

REF: CAIRO 3785

1. IN HIS APRIL 14 SPEECH, PRES SADAT CALLED ATTENTION TO SHORTCOMING IN EGYPTIAN EFFORTS TO OVERCOME PROBLEMS EXISTING WITHIN NATION. HE SELECTED FAILURE OF OPEN DOOR POLICY AS FIRST ONE ON THE LIST, WITH BUREAUCRACY, AND "OLD RESENTMENTS UNDER GUISE OF SOCIALISM", AS PRINCIPAL CAUSES. PROJECTS WERE DELAYED AND COMPLICATIONS PILED UP, HE SAID, AS IF EGYPT WERE NOT IN A RACE WITH TIME, TRYING TO CATCH UP WITH THE AGE, AND THIS IS NOT ACCEPTABLE. FURTHER, SOME PEOPLE WERE GAINING PERSONALLY AT EXPENSE OF PEOPLE, THROUGH PROFITEERING, ILLEGAL COMMISSIONS, AND  
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SPECULATION.

2. EXPECTED REPLACEMENT OF TAHER AMIN BY SHARIF LOUTFY AS MINISTER FOR ECONOMIC COOPERATION IS ONE STEP IN EFFORT THAT WILL BE TAKEN TO CORRECT PROBLEM. LOUTFY, FORMERLY CHAIRMAN OF AGENCY FOR ARAB AND INTERNATIONAL ECONOMIC COOPERATION, FORERUNNER OF MINISTRY) WAS PRINCIPAL AUTHOR OF ORIGINAL INVESTMENT LAW AND RESIGNED WHEN HIS EFFORTS TO FRAME A DOCUMENT THAT WOULD BE EFFECTIVE IN ATTRACTING INVESTMENTS WAS EMASCULATED BY PEOPLE'S ASSEMBLY WITH CONCURRENCE OF PARTS OF GOE, INCLUDING THEN DEPUTY PRI MIN HEGAZY. HE HAS EXCELLENT REPUTATION AS BOTH THINKER AND DOER, QUALITIES OF WHICH HE WILL HAVE FULL NEED IN NEW POSITION, AND EVEN THESE MAY NOT BE ENOUGH.

3. IN ORDER TO CORRECT PROBLEMS OVER WHICH GOE HAS SOME MEASURE OF CONTROL, PRESIDENT WILL HAVE TO DO MORE THAN ISSUE DIRECTIVES AND CHANGE A FEW TOP PEOPLE, AND THERE ARE INDICATIONS THAT HE MAY BE THINKING ALONG THOSE LINES. CHANGES IN PRESENT INVESTMENT LAW WILL CLEARLY BE REQUIRED BEFORE ANYTHING CONCRETE CAN TAKE PLACE IN INVESTMENT FIELD. ANOTHER POSSIBLE STEP WOULD BE TO GIVE DEP PRIMIN FOR PRODUCTION CONSIDERABLE MEASURE OF CONTROL OVER ACTIVITIES OF MINISTRIES IN INVESTMENT FIELD. (IN PAST, SOME PROJECTS WERE HANDLED ALMOST ENTIRELY BY SINGLE MINISTRY, LEADING TO CONFUSION ON PART OF ALL CONCERNED, PARTICULARLY POTENTIAL INVESTOR, WHEN WHAT APPEARED TO BE A FULLY CONCEPTUALIZED AND ALL-BUT-APPROVED PROJECT HAD TO BE STARTED VIRTUALLY FROM SCRATCH IN INTER-AGENCY MACHINERY.) OFFICIALS AT MINECON COOP BELIEVE SUCH A MOVE IS IN THE WORKS, BUT ARE UNSURE OF EXACT MECHANISM.

4. COMMENT: AT LEAST SOME OF DISAPPOINTMENT OVER LACK OF SUCCESS OF OPEN DOOR RESULTS FROM FACTORS WHICH ARE NOT AMENABLE TO DIRECTION BY GOE, KEY ONE OF WHICH IS TIME. INVESTMENTS OF ANY KIND, PARTICULARLY MAJOR INVESTMENTS IN WHICH EGYPT IS INTERESTED, ONLY TAKE PLACE AFTER CAREFUL STUDY AND FULL APPRAISAL OF FEASIBILITY, INCLUDING ALTERNATIVE INVESTMENT OPPORTUNITIES IN ANOTHER COUNTRY. EGYPTIANS APPEAR TO BE CONVINCED THEY ARE IN A SELLER'S MARKET, WITH ONLY AN INDICATION OF WILLINGNESS TO CONSIDER APPLICATIONS LIMITED OFFICIAL USE

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AS REQUIREMENT FOR AN INUNDATION OF FIRM PROPOSALS. AS THEY ARE LEARNING, THIS IS NOT CASE, AND EVEN LEAVING ASIDE PROBLEMS TO WHICH PRESIDENT SADAT REFERRED, THERE ARE NUMBERS OF OTHER CONSIDERATIONS AFFECTING TIMING OF DECISION ON INVESTMENTS. NOT LEAST OF THESE IS PERCEIVED STABILITY IN AREA.

5. STEPS BEING TAKEN SHOULD NONETHELESS BE OF HELP. OPEN

DOOR WAS REALLY OPEN ONLY AT THE TOP; ONCE A PROJECT FELL INTO THE BUREAUCRATIC MACHINERY AT LOWER LEVELS IT WAS LOST TO VIEW AND COULD ONLY BE SALVAGED THROUGH INTERVENTION BY VERY SENIOR OFFICIALS OR USE OF GRAFT. MANAGING DIRECTOR OF KUWAITI-EGYPTIAN INVESTMENT FUND REPORTS HE HAS USED BOTH METHODS IN ATTEMPTS TO MOVE HIS PROJECTS FORWARD, ONLY TO HAVE THEM SLIP AGAIN INTO HANDS OF "OBSTRUCTIONISTS". TIGHTER CONTROL WILL ALLEVIATE SOME ASPECTS OF THE PROBLEM; A CHANGE IN MENTALITY WILL BE REQUIRED FOR OTHERS. MAESTRONE

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